

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Mecosta Township	County Mecosta
Fiscal Year End 3/31/2006	Opinion Date 6/13/2006	Date Audit Report Submitted to State 2/27/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, PC		Telephone Number 231-775-9789	
Street Address 134 West Harris Street		City Cadillac	State MI
Authorizing CPA Signature		Printed Name Michael D. Cool, C.P.A.	Zip 49601
		License Number 1101023146	

MECOSTA TOWNSHIP, MECOSTA COUNTY

STANWOOD, MICHIGAN

MARCH 31, 2006

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

MARCH 31, 2006

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CERTIFIED PUBLIC ACCOUNTANTS

June 13, 2006

INDEPENDENT AUDITORS' REPORT

To the Township Board
Mecosta Township
Mecosta County
Stanwood, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mecosta Township, Stanwood, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Township's Management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mecosta Township, Stanwood, Michigan, as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 20 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mecosta Township, Stanwood, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MECOSTA TOWNSHIP, MECOSTA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

Mecosta Township, a general law township located in Mecosta County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Mecosta Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2006, along with specific comparative information as required.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$765,197. Of this amount, \$346,024 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$456,247, a decrease of \$20,383 in comparison with the prior year. About 74.12% is available for spending at the Township's discretion.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

MECOSTA TOWNSHIP, MECOSTA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$765,197 at March 31, 2006, meaning the Township’s assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

MECOSTA TOWNSHIP, MECOSTA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

Mecosta Township
Net Assets as of March 31,

	<u>2006</u>	<u>2005</u>
Assets		
Current Assets	\$ 473,078	\$ 486,396
Non Current Assets		
Capital Assets	402,051	396,764
Less: Accumulated Depreciation	<u>(93,144)</u>	<u>(78,417)</u>
Total Non Current Assets	<u>308,907</u>	<u>318,347</u>
Total Assets	<u><u>\$ 781,985</u></u>	<u><u>\$ 804,743</u></u>
Liabilities		
Current Liabilities	<u>\$ 16,788</u>	<u>\$ 9,707</u>
Net Assets		
Invested in Capital Assets	308,907	318,347
Restricted for Specific Purposes	110,266	198,480
Unrestricted	<u>346,024</u>	<u>278,209</u>
Total Net Assets	<u>765,197</u>	<u>795,036</u>
Total Liabilities and Net Assets	<u><u>\$ 781,985</u></u>	<u><u>\$ 804,743</u></u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Township used to acquire or construct the asset. The Township has \$346,024 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balance in net assets, both for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township decreased by \$29,839 or 3.75% in this fiscal year, which is an indicator that the Township experienced negative financial growth during the year. As a result, the Township ended the fiscal year in worse condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

MECOSTA TOWNSHIP, MECOSTA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

Mecosta Township
Change in Net Assets
for the Fiscal Year Ended March 31,

	<u>2006</u>	<u>2005</u>
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 31,327	\$ 29,600
Operating Grants and Contributions	4,010	0
Capital Grants and Contributions	5,000	0
General Revenues		
Taxes	95,984	170,668
State Grants	154,758	173,887
Interest Earnings	6,909	9,672
Other	13,639	18,179
Total Revenues	<u>311,627</u>	<u>402,006</u>
<u>Expenses</u>		
Legislative	12,224	26,790
General Government	176,009	170,028
Public Safety	117,983	79,657
Public Works	1,132	4,647
Community and Economic Development	22,210	13,614
Recreation and Cultural	1,067	1,053
Other Functions	10,841	8,176
Total Expenses	<u>341,466</u>	<u>303,965</u>
Changes in Net Assets	(29,839)	98,041
NET ASSETS - Beginning of Year	<u>795,036</u>	<u>696,995</u>
NET ASSETS - End of Year	<u><u>\$ 765,197</u></u>	<u><u>\$ 795,036</u></u>

Governmental Activities

During the fiscal year ended March 31, 2006, the Township's net assets decreased by \$29,839 or 3.75% in the governmental funds. The majority of this decrease represents the degree to which increases in ongoing revenues have not outstripped similar increases in ongoing expenses. GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Mecosta Township comes from property taxes. The Township levied an operating millage, this fiscal year. The Township levied 0.61385 mills for operating purposes.

MECOSTA TOWNSHIP, MECOSTA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation. In 2006, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by general government expenses that total 51.55% of total expenses. The Township spent \$176,009 in fiscal year 2006 on general government expenses. Public safety expenses represented the next largest expense at \$117,983 followed by economic development at \$22,210. These represent 34.55% and 6.50% respectively. Expenses for salaries represent a large portion of the general administrative expenses at \$64,929. Depreciation expense added another \$18,727.

Business-Type Activities

The Township does not maintain any Business-Type Activities.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Mecosta Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Mecosta Township's governmental funds reported combined ending fund balances of \$456,247. Approximately 74.12% of this total amount (\$338,184) constitutes unreserved fund balance. The remainder of the fund balance is reserved or designated for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

General Fund – The General Fund increased its fund balance by \$60,925 which brings the fund balance to \$341,513. Of the General Fund's fund balance, \$338,184 is unreserved while \$2,961 is reserved for right-of-way maintenance, and negative (\$7,429) is reserved for the building inspections.

Fire Fund – The Fire Fund decreased its fund balance by \$81,308 which brings the fund balance to \$114,734. This balance is reserved and must be used for fire protection and fire equipment.

Proprietary Fund The Township does not maintain any proprietary funds.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2006 amounted to \$308,907 net of accumulated depreciation. The total net decrease in the Township's investment in capital assets for the current fiscal year was 2.97%.

MECOSTA TOWNSHIP, MECOSTA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

Capital assets summarized below include any items purchased with a cost greater than \$500 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Mecosta Township
Capital Assets as of March 31,

	<u>2006</u>	<u>2005</u>
Land and Land Improvements	\$ 21,889	\$ 21,889
Buildings	178,923	175,834
Infrastructure	97,714	97,714
Improvements Other Than Buildings	4,498	4,498
Machinery and Equipment	<u>99,027</u>	<u>96,829</u>
	402,051	396,764
Less Accumulated Depreciation	<u>(93,144)</u>	<u>(78,417)</u>
Net Capital Assets	<u><u>\$ 308,907</u></u>	<u><u>\$ 318,347</u></u>

Major capital asset events during the current fiscal year included the following:

- ◆ Township repaired township hall roof for \$3,089
- ◆ Township bought two computers for \$1,198
- ◆ Acquisition of a voting machine valued at \$5,000 through a grant program administered by the State of Michigan.

Long-Term Debt. At March 31, 2006, the Township was not obligated for any long-term debt.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Mecosta Township at P.O. Box 127, Stanwood, Michigan 49346.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash	\$ 418,003
Receivables	
Taxes	6,384
Due from Other Governments	37,722
External Parties (Fiduciary Funds)	3,172
Prepaid Expenses	<u>7,797</u>
 Total Current Assets	 <u>473,078</u>
 <u>CAPITAL ASSETS</u>	
Land and Land Improvements	21,889
Buildings	178,923
Infrastructure	97,714
Improvements Other Than Buildings	4,498
Machinery and Equipment	<u>99,027</u>
	402,051
Less Accumulated Depreciation	<u>(93,144)</u>
Net Capital Assets	<u>308,907</u>
 TOTAL ASSETS	 <u>781,985</u>
 <u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	15,078
Payroll Withholding	985
Customer Deposits	<u>725</u>
 Total Current Liabilities	 <u>16,788</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets	308,907
Restricted for Specific Purposes	110,266
Unrestricted	<u>346,024</u>
 TOTAL NET ASSETS	 <u>\$ 765,197</u>

The accompanying notes are an integral part of the financial statements.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006

					NET (EXPENSE) REVENUES AND CHANGES IN NET ASSETS
FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			TOTALS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<u>PRIMARY GOVERNMENT</u>					
<u>GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 12,224	\$ 0	\$ 0	\$ 0	\$ (12,224)
General Government	176,009	4,375	0	5,000	(166,634)
Public Safety	117,983	24,017	0	0	(93,966)
Public Works	1,132	0	4,010	0	2,878
Community and Economic Development	22,210	2,935	0	0	(19,275)
Recreation and Cultural	1,067	0	0	0	(1,067)
Other Functions	10,841	0	0	0	(10,841)
Total Governmental Activities	<u>\$ 341,466</u>	<u>\$ 31,327</u>	<u>\$ 4,010</u>	<u>\$ 5,000</u>	<u>(301,129)</u>
<u>GENERAL REVENUES</u>					
Taxes					95,984
State Grants					154,758
Interest Earnings					6,909
Other					13,639
Total General Revenues					<u>271,290</u>
Change in Net Assets					(29,839)
<u>NET ASSETS</u> - Beginning of Year					<u>795,036</u>
<u>NET ASSETS</u> - End of Year					<u>\$ 765,197</u>

The accompanying notes are an integral part of the financial statements.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2006

	<u>GENERAL FUND</u>	<u>FIRE FUND</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash	\$ 302,775	\$ 115,228	\$ 418,003
Taxes Receivable	6,384	0	6,384
Due from Other Funds	3,666	0	3,666
Due from Other Governments	37,722	0	37,722
Prepaid Expenditures	7,797	0	7,797
TOTAL ASSETS	<u>\$ 358,344</u>	<u>\$ 115,228</u>	<u>\$ 473,572</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 15,078	\$ 0	\$ 15,078
Due to Other Funds	0	494	494
Payroll Withholdings	985	0	985
Customer Deposits	725	0	725
Deferred Revenue	43	0	43
Total Liabilities	<u>16,831</u>	<u>494</u>	<u>17,325</u>
<u>FUND BALANCE</u>			
Reserved for:			
Prepaid Expenditures	7,797	0	7,797
Fire Protection	0	114,734	114,734
Building Inspections (Deficit)	(7,429)	0	(7,429)
Telecommunications Right of Way Maintenance	2,961	0	2,961
Unreserved			
Undesignated	338,184	0	338,184
Total Fund Balance	<u>341,513</u>	<u>114,734</u>	<u>456,247</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 358,344</u>	<u>\$ 115,228</u>	<u>\$ 473,572</u>

The accompanying notes are an integral part of the financial statements.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2006

Total Fund Balances for Governmental Funds	\$ 456,247
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land and Land Improvements	\$ 21,889	
Buildings	178,923	
Infrastructure	97,714	
Improvements Other Than Buildings	4,498	
Machinery and Equipment	99,027	
Accumulated Depreciation	<u>(93,144)</u>	308,907

Other long-term assets are not available to pay for current period
expenditures and therefore are not reported in the funds

Personal Property Taxes Receivables	<u>43</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 765,197</u></u>
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The accompanying notes are an integral part of the financial statements.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2006

	<u>GENERAL FUND</u>	<u>FIRE FUND</u>	<u>TOTALS</u>
<u>REVENUES</u>			
Taxes	\$ 95,980	\$ 20	\$ 96,000
Licenses and Permits	26,952	0	26,952
State Grants	163,768	0	163,768
Charges for Services	4,375	0	4,375
Interest and Rents	8,309	2,000	10,309
Other Revenues	10,239	0	10,239
	<hr/>	<hr/>	<hr/>
Total Revenues	309,623	2,020	311,643
	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>			
Legislative	12,224	0	12,224
General Government	166,569	0	166,569
Public Safety	34,655	83,328	117,983
Public Works	1,132	0	1,132
Community and Economic Development	22,210	0	22,210
Recreation and Cultural	1,067	0	1,067
Other Functions	10,841	0	10,841
	<hr/>	<hr/>	<hr/>
Total Expenditures	248,698	83,328	332,026
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	60,925	(81,308)	(20,383)
<u>FUND BALANCE</u> - Beginning of Year	280,588	196,042	476,630
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 341,513	\$ 114,734	\$ 456,247
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2006

Net change in Fund Balance - Total Governmental Funds	\$ (20,383)
---	-------------

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(18,727)
Capital Outlay	9,287

Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in personal property tax revenue deferred using the modified accrual method	<u>(16)</u>
--	-------------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (29,839)</u>
---	--------------------

The accompanying notes are an integral part of the financial statements.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET ASSETS

MARCH 31, 2006

	<u>ASSETS</u>	<u>AGENCY</u>
Cash		\$ 918,625
		<hr/>
	<u>LIABILITIES</u>	
Refunds Payable to Taxpayers		\$ 2,119
Due to Other Governments		913,334
Due to Other Funds		<hr/> 3,172
		<hr/>
TOTAL LIABILITIES		\$ 918,625
		<hr/>

The accompanying notes are an integral part of the financial statements.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Mecosta Township is a general law township located in Mecosta County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

The Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Mecosta Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

Additionally Mecosta Township reports the following fund types:

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The Mecosta Township Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution. Authorized depositories shall be designated by the Mecosta Township Board at the Board's first meeting of each fiscal year. (April meeting)
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in (a).
- (e) Bankers; acceptances of United States banks.
- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated investment grade by not less than 1 standard rating service.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

- (g) Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the Township. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
- (h) Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (i) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- (j) The investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

According to the Mecosta County Equalization Department, the 2005 taxable valuation of Mecosta Township totaled \$96,200,529, on which ad valorem taxes levied consisted of regular and industrial facilities tax mills for Mecosta Township operating purposes. This levy raised approximately \$95,796 for operating purposes.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land and Land Improvements	20
Infrastructure	20
Improvement Other Than Buildings	20
Machinery and Equipment	5-10

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on March 30, 2005, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Funds with Expenditures in Excess of Appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Assessor	\$ 23,000	\$ 25,153
Elections	5,000	7,950
Special Revenue Funds		
Fire Fund		
Fire Department	35,000	83,328

These overages were funded by greater than anticipated revenues and available fund balance.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

III.DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are all on deposit with Chemical Bank in Midland, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2006, \$1,080,459 of the government's bank balance of \$1,380,459 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	<u>General</u>
Receivables	
Taxes	\$ 6,384
Due from Other Governments	<u>37,722</u>
Receivables	<u><u>\$ 44,106</u></u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nill.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components to deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Deferred Revenue</u>	
	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$ 43	<u><u>\$ 0</u></u>

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land and Land Improvements	\$ 21,889	\$ 0	\$ 0	\$ 21,889
Capital assets, being depreciated				
Buildings	175,834	3,089	0	178,923
Infrastructure	97,714	0	0	97,714
Improvements Other Than Buildings	4,498	0	0	4,498
Machinery and Equipment	96,829	6,198	4,000	99,027
Total capital assets, being depreciated	374,875	9,287	4,000	380,162
Less accumulated depreciation for:				
Buildings	34,227	4,865	0	39,092
Infrastructure	2,697	4,886	0	7,583
Improvements Other Than Buildings	1,025	268	0	1,293
Machinery and Equipment	40,468	8,708	4,000	45,176
Total accumulated depreciation	78,417	18,727	4,000	93,144
Total capital assets, being depreciated, net	296,458	(9,440)	0	287,018
Governmental activities capital assets, net	\$ 318,347	\$ (9,440)	\$ 0	\$ 308,907

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ <u>18,727</u>

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2006.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2006 were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 3,666	\$ 0
Fire Fund	0	494
Fiduciary Funds		
Current Tax Collection Fund	0	3,172
	<u>\$ 3,666</u>	<u>\$ 3,666</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

E. Long-Term Debt

At March 31, 2006, the Township was not obligated for any long-term debt.

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

FUND BALANCE

Reserves

General Fund

Prepaid Expenditures	\$ 7,797	
Building Inspections - (Deficit)	(7,429)	
Telecommunications Right of Way Maintenance	<u>2,961</u>	\$ 3,329

Special Revenue Funds

Fire Fund

Fire Protection	<u>114,734</u>
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TOTAL FUND BALANCE RESERVES	<u>\$ 118,063</u>
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MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Mecosta-Austin Fire Department

The Mecosta-Austin Fire Department is a joint venture by and between the townships of Mecosta and Austin. This joint venture was created to provide fire protection for the listed governments.

For the year ended March 31, 2006, the Township contributed a total of \$82,834 to the Fire Authority.

The following financial information was taken from the Fire Department's March 31, 2006 audited financial statements:

Total Net Assets	\$ 567,901
Net Assets Invested in Capital Assets Net of Related Debt	541,496
Fund Balance - Unreserved	26,405
Total Revenue	225,906
Total Expenditures	229,155
Net Increase (Decrease) in Fund Balance	(3,249)

A copy of these audited financial statements may be obtained upon request from the Fire Department Treasurer.

C. Retirement Plan

The Township has a defined contribution pension plan with Manufacturers Life Insurance Company which covers all elected officials. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 18. An employee's normal retirement date is age 65 except for those who choose early retirement.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Township contributions to the plan for 2005-2006 amounted to \$15,434 including administration fees of \$1,007. Total covered payroll amounted to \$83,960 and total wages including non-covered payroll was \$110,555.

D. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the government's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	<u>GENERAL FUND</u>			<u>FIRE FUND</u>		
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>ORIGINAL</u>	<u>FINAL</u>	
	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>						
Taxes	\$ 72,900	\$ 72,900	\$ 95,980	\$ 0	\$ 0	\$ 20
Licenses and Permits	23,200	23,200	26,952	0	0	0
State Grants	150,000	150,000	163,768	0	0	0
Charges for Services	6,000	6,000	4,375	0	0	0
Interest and Rents	10,500	10,500	8,309	1,000	1,000	2,000
Other Revenues	5,000	5,000	10,239	0	0	0
Total Revenues	267,600	267,600	309,623	1,000	1,000	2,020
<u>EXPENDITURES</u>						
Legislative						
Township Board	37,000	19,500	12,224	0	0	0
General Government						
Supervisor	24,000	24,000	16,438	0	0	0
Clerk	38,000	38,000	32,883	0	0	0
Board of Review	2,000	2,000	1,362	0	0	0
Treasurer	33,000	33,000	29,481	0	0	0
Assessor	23,000	23,000	25,153	0	0	0
Elections	4,500	5,000	7,950	0	0	0
Building and Grounds	40,000	57,000	47,748	0	0	0
Cemetery	6,500	6,500	5,554	0	0	0
Public Safety						
Fire Department	0	0	0	35,000	35,000	83,328
Building Inspection	49,000	49,000	34,655	0	0	0
Public Works						
Street Lighting	5,000	5,000	1,132	0	0	0
Community and Economic Development						
Zoning	34,000	34,000	22,210	0	0	0
Recreation and Cultural						
Parks and Recreation	2,500	2,500	1,067	0	0	0
Other Functions						
Insurance and Bonds	15,000	15,000	10,841	0	0	0
Total Expenditures	313,500	313,500	248,698	35,000	35,000	83,328
Net Change in Fund Balance	(45,900)	(45,900)	60,925	(34,000)	(34,000)	(81,308)
<u>FUND BALANCE</u> - Beginning of Year	0	0	280,588	40,000	40,000	196,042
<u>FUND BALANCE</u> - End of Year	\$ (45,900)	\$ (45,900)	\$ 341,513	\$ 6,000	\$ 6,000	\$ 114,734

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2006

ASSETS

Cash	\$ 302,775
Taxes Receivable	6,384
Due from Other Funds	3,666
Due from Other Governments	37,722
Prepaid Expenditures	<u>7,797</u>
 TOTAL ASSETS	 <u><u>\$ 358,344</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 15,078
Payroll Withholding	985
Customer Deposits	725
Deferred Revenue	<u>43</u>
 Total Liabilities	 <u>16,831</u>

FUND BALANCE

Balance	
Reserved for Prepaid Expenditures	7,797
Reserved for Building Inspections (Deficit)	(7,429)
Reserved for Right-of-Way Maintenance	2,961
Unreserved	<u>338,184</u>
 Total Fund Balance	 <u>341,513</u>

TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 358,344</u></u>
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MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Taxes	\$ 72,900	\$ 95,980
Licenses and Permits	23,200	26,952
State Grants	150,000	163,768
Charges for Services	6,000	4,375
Interest and Rents	10,500	8,309
Other Revenues	5,000	10,239
	<u>267,600</u>	<u>309,623</u>
 <u>EXPENDITURES</u>		
Legislative		
Township Board	19,500	12,224
General Government		
Supervisor	24,000	16,438
Assessor	23,000	25,153
Election	5,000	7,950
Clerk	38,000	32,883
Board of Review	2,000	1,362
Treasurer	33,000	29,481
Building and Grounds	57,000	47,748
Cemetery	6,500	5,554
Public Safety	49,000	34,655
Public Works	5,000	1,132
Community and Economic Development	34,000	22,210
Recreation and Cultural	2,500	1,067
Other Functions	15,000	10,841
	<u>313,500</u>	<u>248,698</u>
 Total Expenditures		
	<u>313,500</u>	<u>248,698</u>
 Excess (Deficiency) of Revenues		
Over Expenditures	(45,900)	60,925
 <u>FUND BALANCE</u> - Beginning of Year	<u>0</u>	<u>280,588</u>
 <u>FUND BALANCE</u> - End of Year	<u>\$ (45,900)</u>	<u>\$ 341,513</u>

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

FIRE FUND

BALANCE SHEET
MARCH 31, 2006

ASSETS

Cash	\$ 115,228
	<hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to Other Funds	\$ 494
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FUND BALANCE

Reserved for Fire Protection	<hr/> 114,734
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TOTAL LIABILITIES AND FUND BALANCE	<hr/> \$ 115,228 <hr/>
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MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Taxes		
Delinquent Property Taxes and Interest	\$ 0	\$ 20
Interest and Rents		
Interest Income	<u>1,000</u>	<u>2,000</u>
Total Revenues	<u>1,000</u>	<u>2,020</u>
<u>EXPENDITURES</u>		
Public Safety		
Personnel Services	0	494
Aid to Other Government		
Mecosta-Austin Fire Department	<u>35,000</u>	<u>82,834</u>
Total Expenditures	<u>35,000</u>	<u>83,328</u>
Excess (Deficiency) of Revenues		
Over Expenditures	(34,000)	(81,308)
<u>FUND BALANCE</u> - Beginning of Year	<u>40,000</u>	<u>196,042</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 6,000</u>	<u>\$ 114,734</u>

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2006

	BALANCE			BALANCE
	4/1/2005	ADDITIONS	DEDUCTIONS	3/31/2006
<u>ASSETS</u>				
Cash	\$ 82,113	\$ 2,734,078	\$ 1,897,566	\$ 918,625
Due from Other Governments	380,891	0	380,891	0
TOTAL ASSETS	\$ 463,004	\$ 2,734,078	\$ 2,278,457	\$ 918,625
<u>LIABILITIES</u>				
Refunds Payable to Taxpayers	\$ 0	\$ 2,119	\$ 0	\$ 2,119
Due to Other Governments	454,540	2,636,225	2,177,431	913,334
Due to Other Funds	8,464	95,734	101,026	3,172
TOTAL LIABILITIES	\$ 463,004	\$ 2,734,078	\$ 2,278,457	\$ 918,625

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

STATEMENT OF 2005 REGULAR TAX ROLL
MARCH 31, 2006

TAXES ASSESSED

County	\$ 436,654	
County - State Education Tax	344,827	
Township		
Operating	70,636	
School		
Morley Stanwood Community Schools	793,982	
Intermediate School		
Mecosta - Osceola	<u>235,168</u>	\$ 1,881,267

TAXES COLLECTED

County	400,169	
County - State Education Tax	322,581	
Township		
Operating	64,252	
School		
Morley Stanwood Community Schools	717,289	
Intermediate School		
Mecosta - Osceola	<u>213,913</u>	<u>1,718,204</u>

TAXES RETURNED DELINQUENT

County	36,485	
County - State Education Tax	22,246	
Township		
Operating	6,384	
School		
Morley Stanwood Community Schools	76,693	
Intermediate School		
Mecosta - Osceola	<u>21,255</u>	<u>\$ 163,063</u>

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

STATEMENT OF 2005 INDUSTRIAL FACILITIES TAX ROLL
MARCH 31, 2006

TAXES ASSESSED

County	\$ 155,539	
County - State Education Tax	72,493	
Township		
Operating	25,160	
School		
Morley Stanwood Community Schools		
Local Share	143,456	
State Share	368,887	
Intermediate School		
Mecosta - Osceola		
Local Share	53,069	
State Share	<u>30,698</u>	\$ 849,302

TAXES COLLECTED

County	155,539	
County - State Education Tax	72,493	
Township		
Operating	25,160	
School		
Morley Stanwood Community Schools		
Local Share	143,456	
State Share	368,887	
Intermediate School		
Mecosta - Osceola		
Local Share	53,069	
State Share	<u>30,698</u>	<u>849,302</u>

TAXES RETURNED DELINQUENT

County	0	
County - State Education Tax	0	
Township		
Operating	0	
School		
Morley Stanwood Community Schools		
Local Share	0	
State Share	0	
Intermediate School		
Mecosta - Osceola		
Local Share	0	
State Share	<u>0</u>	<u>\$ 0</u>

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 13, 2006

LETTER COMMENTS AND RECOMMENDATIONS

To the Township Board
Mecosta Township
Mecosta County
Stanwood, Michigan

During the course of our audit of the basic financial statements of Mecosta Township for the year ended March 31, 2006, we noted the following:

Condition of Accounting Records

Both the clerk and treasurer need to improve on reviewing financial reports each month for items such as misclassifications and odd or unusual items that require further investigation. Additionally, this review and comparison to budget will help the Township continue to improve its internal reporting process.

Tax Collection Fund Recordkeeping

During our audit we encountered difficulty in balancing the Tax Collection Fund transactions. The checking account was not timely reconciled to the bank and books throughout the year. The Michigan Department of Treasury Account Procedures Manual requires that this be done on a monthly basis. This situation must improve for the 2006/2007 fiscal year. With the number of transactions and dollar amount involved, the bank account must be reconciled timely each month. The Township's tax collections are complex and cannot be put on the back burner for months at a time, which was the case in 2005/2006. If the treasurer experiences difficulty balancing, she must immediately ask for help.

Tax Collection Fund Balance

A balance remained in the Tax Collection Fund at March 31, 2006. We recommend that the Township disburse each year all remaining funds in the Tax Collection Fund by March 31, except a small residual amount to maintain a minimum balance in order to keep the bank account open.

Mileage Reimbursement

The Township has a policy of reimbursing eligible miles at the current IRS rate. However, after January 1, 2006, the IRS lowered its standard mileage rate from 48.5 cents per mile to 44.5 cents per mile and the Township continued to reimburse at the higher rate. The Township should either receive a refund for the overpayment, or include the excess paid as additional compensation to the people who received the excess.

Budgeting

The Township should continue to monitor its compliance with PA 621 for items such as budgeting beginning fund balance and amending the budget during the year if activities are expected to exceed appropriations.

We would like to take this opportunity to thank the Mecosta Township Board for awarding our firm the audit for the year ended March 31, 2006, and to express our appreciation of the efforts put in by the various employees and elected officials of the Township. Should you have any questions relative to the above comments or other areas of your accounting records, please call on us for assistance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

June 13, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Mecosta Township
Mecosta County
Stanwood, Michigan

In planning and performing our audit of the financial statements of Mecosta Township, Stanwood, Michigan for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.